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Cotton and Products Update April 2015

Report Categories:

Cotton and Products

Approved By:

Adam Branson

Prepared By:

Dhruv Sood

Report Highlights:

The initial Government of India forecast calls for a below normal monsoon for 2015. Market yard arrivals for the current crop have slowed as Indian prices move higher and farmers expect greater price realization with the small volumes yet to deliver. FAS Mumbai revised the Post MY2014/15 export estimate to 4.2 million 480 lb. bales to reflect expected sales and shipments through the end of the marketing year.

General Information:

Cotton	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		May 2016	
India	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	0	0	0	0	0	0
Area Harvested	11,700	11,700	12,700	12,700	0	12,000
Beginning Stocks	11,945	11,945	11,515	11,020	0	13,720
Production	31,000	31,000	30,000	30,000	0	29,300
Imports	675	675	1,100	1,100	0	800
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	43,620	43,620	42,615	42,120	0	43,820
Exports	9,255	9,261	3,900	4,200	0	4,700
Use	23,350	23,339	24,200	24,200	0	24,500
Loss	0	0	0	0	0	0
Total Dom. Cons.	22,850	23,339	24,200	24,200	0	24,500
Ending Stocks	11,515	11,020	14,515	13,720	0	14,620
Total Distribution	43,620	43,620	42,615	42,120	0	43,820
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Unseasonal Rains Delay Summer Crop Harvesting and Northern India Kharif Cotton Planting
MY 2015/16 planted area and production forecasts remain unchanged from Post's earlier forecasts. Cotton planting in the north begins typically in April/May. Unusually wet weather in late February and March, however, delayed harvesting of wheat in the northern cotton regions of Punjab and Haryana and affected the planting of the northern cotton crop by 15-20 days.

IMD Forecasts Below Normal Monsoon
On April 22, 2015, the Indian meteorological department (IMD) issued a "below normal monsoon" forecast for the upcoming 2015 southwest monsoon season (June-September). IMD forecast that the southwest monsoon rains are likely to be below normal at 93 percent of the long-period average. For more details on the monsoon forecast refer to IN5055.

MY 2014/15 Arrivals at 88 Percent of Post's Estimated Production
On April 28, 2015, marketing year (MY) 2014/15 all India cotton arrivals, as reported by the Cotton Corporation of India (CCI) reached 26.54 million 480 lb. bales (34 million 170 kg bales/5.8 mmt), compared to 26.08 million 480 lb. bales (33.41 million 170 kg bales/5.7 mmt) last year. This is roughly

88 percent of Post's MY2014/15 production estimate. Recent FAS interaction with farmers indicates that small quantities of cotton are being held in anticipation of better price realization.

Procurement under MSP Slows Down but Not Necessarily Complete
Overall cotton procurement under MSP operations has reached 6.79 million 480 lb. bales (8.7 million 170 kg bales/1.48 mmt); including, the procurement by both the CCI and in Maharashtra by the state marketing federation (i.e. the Maharashtra State Co-operative Cotton Growers Marketing Federation Ltd. or MAHACOT).

On April 29, 2015, the Government of India approved the budget allocation to meet anticipated losses in disposal of cotton for reimbursement to CCI and MAHACOT. The approved allocation supports procurement by CCI and MAHACOT up to 8.6 million 480 lb. bales (11 million 170 kg bales/1.87 mmt); with 10 million 170 kg bales for CCI and 1 million 170 kg bales for the state marketing federation through the end of the Indian marketing year in September 2015.

CCI Stock Sales Averaging 50K 170 kg Bales Per Day
As of April 28, CCI has offered around 1 million 480 lb. bales (1.4 million 170 kg bales/238,000 mt) through its e-auction system. Sales have amounted to 562,000 480 lb. bales (720,000 170 kg bales/122,400 mt). On average, CCI has placed 50,000 170 kg bales on auction per day into the e-auction system and sources indicate that CCI plans to increase the volume offered as demand from mills picks up. CCI is auctioning smaller quantities of MY 2013/14 crop procured under commercial operations, as well. The MY 2013/14 crop is being auctioned in an open market at selected CCI branches.

Consumption
The Post MY 2015/16 consumption forecast remains unchanged. The average per month mill consumption rate in MY 2014/15 is 1.96 million 480 lb. bales (2.52 million 170 kg bales). The Post estimate for MY 2014/15 remains unchanged from the USDA official estimate at 24.2 million 480 lb. bales.

Trade
The FAS Mumbai MY 2014/15 export estimate is 4.2 million 480 lb. bales and reflects anticipated trade through the remainder of the marketing year. . Data from unofficial sources puts exports from August to April 20 at 3.6 million 480 lb. bales (4.6 million 170 kg bales/ 785,000 mt). Considering the pace of exports and an anticipated rise in release of CCI stocks, the prospects for exports for the remainder of the marketing year remain subdued with average export shipments likely to hover near 200,000 480 lb. bales per month through July. Preliminary data suggests that the pace of exports has dropped since March as the Indian rupee strengthened 3 percent since that time and international destinations to which India supplies have exhibited a preference for machine-picked high-quality cotton. Nevertheless, Bangladesh has emerged as the major export market for Indian cotton. Other export destinations include Vietnam, China, and Pakistan.

The FAS Mumbai 2014/15 import estimate remains unchanged. Demand for imported cotton has picked up as Indian arrivals have slowed down. Imports of higher quality upland and ELS from the United States remain dominant (30 percent of total shipments received in April). Competitively priced new crop cotton from West Africa (Mali, Cote d Ivoire, and Burkina Faso) is being imported to cover mill demand, as well. Indian ex-gin prices have firmed up and are on par with Cotlook Index. Consequently domestic buying from mills has been limited in the last month as international cotton provides a cheaper option.

Table 1a. India: Estimate of 2013/14 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	260,571	44,297	203,455
September Exports 1\	132,941	22,600	103,801
October Exports 1\	140,806	23,937	109,942
November Exports 1\	1,915,982	325,717	1,496,006
December Exports 1\	2,460,212	418,236	1,920,943
January Exports 1\	2,055,653	349,461	1,605,062
February Exports 1\	1,419,624	241,336	1,108,448
March Exports 1\	1,308,347	222,419	1,021,562
April Exports 1\	956,671	162,634	746,972
May Exports 1\	661,053	112,379	516,153
June Exports 1\	401,882	68,320	313,791
July Exports 1\	147,647	25,100	115,283
Total Aug-Jul	**11,861,388**	**2,016,436**	**9,261,418**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 1b. India: Estimate of 2014/15 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	99,671	16,944	77,824
September Exports 1\	128,129	21,782	100,044
October Exports 1\	185,618	31,555	144,931
November Exports 1\	733,559	124,705	572,766
December Exports 1\	1,013,571	172,307	791,400
January Exports 1\	670,765	114,030	523,736
February Preliminary Exports 2\	690,618	117,405	539,237
March Estimated Exports 3\	730,000	124,100	569,987
April Estimated Exports 3\	370,000	62,900	288,897
Preliminary Total Aug-Apr	**4,621,931**	**785,728**	**3,605,106**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.
2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 2a. India: Estimate of 2013/14 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	107,824	18,330	84,189
September Imports 1\	96,906	16,474	75,664
October Imports 1\	113,382	19,275	88,529
November Imports 1\	55,024	9,354	42,963
December Imports 1\	17,624	2,996	13,761
January Imports 1\	38,959	6,623	30,419
February Imports 1\	41,576	7,068	32,463
March Imports 1\	48,841	8,303	38,135
April Imports 1\	65,582	11,149	51,207
May Imports 1\	59,471	10,110	46,435
June Imports 1\	71,353	12,130	55,713
July Imports 1\	148,218	25,197	115,729
Total Aug-Jul	**864,760**	**147,009**	**675,207**

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 2b. India: Estimate of 2014/15 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	161,735	27,495	126,283
September Imports 1\	329,041	55,937	256,916
October Imports 1\	197,712	33,611	154,374
November Estimated Imports 1\	125,018	21,253	97,615
December Estimated Imports 1\	50,094	8,516	39,114
January Estimated Imports 1\	52,071	8,852	40,657
February Preliminary Imports 2\	73,235	12,450	57,182
March Estimated Imports 3\	74,193	12,613	57,930
April Estimated Imports 3\	70,000	11,900	54,656
Preliminary Total Aug-Apr	**1,133,099**	**192,627**	**884,728**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

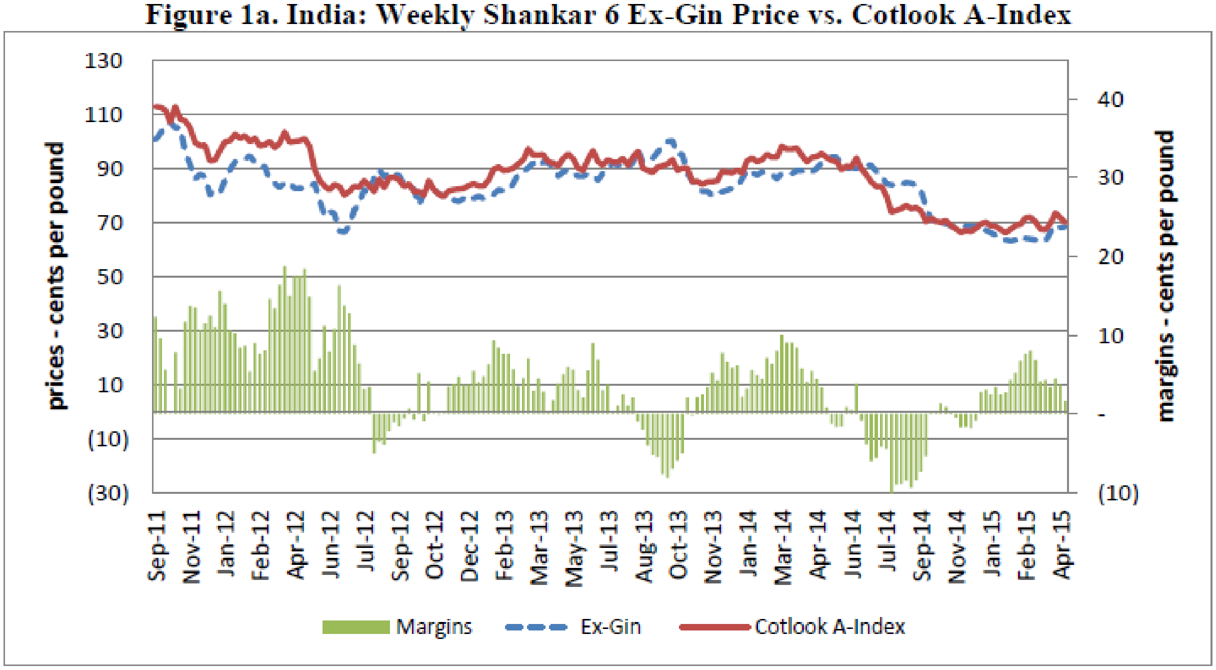
3\ FAS Mumbai estimate

Table 3. India: Monthly Cotton Consumption by the Textile Sector (Million 170 kg bales)

Month	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Aug	1.859	2.173	1.864	2.207	2.423	2.446
Sep	1.829	2.143	2.170	2.146	2.370	2.581
Oct	1.812	2.209	1.776	2.185	2.403	2.416
Nov	1.847	2.110	1.834	2.109	2.296	2.512
Dec	1.949	2.257	2.013	2.264	2.516	2.590
Jan	1.954	2.210	2.033	2.330	2.519	2.576
Feb	1.881	2.023	2.030	2.224	2.323	
Mar	2.001	2.176	2.038	2.361	2.507	
Apr	2.053	2.017	2.031	2.322	2.431	
May	2.093	1.864	2.128	2.285	2.439	
Jun	2.071	1.823	2.117	2.251	2.410	
Jul	2.211	1.900	2.213	2.411	2.454	
Loss*	1.700	1.338	*0.500*	*0.783*	*0.800*	*1.500*
Total	**25.260**	**26.243**	**24.747**	**27.878**	**29.891**	

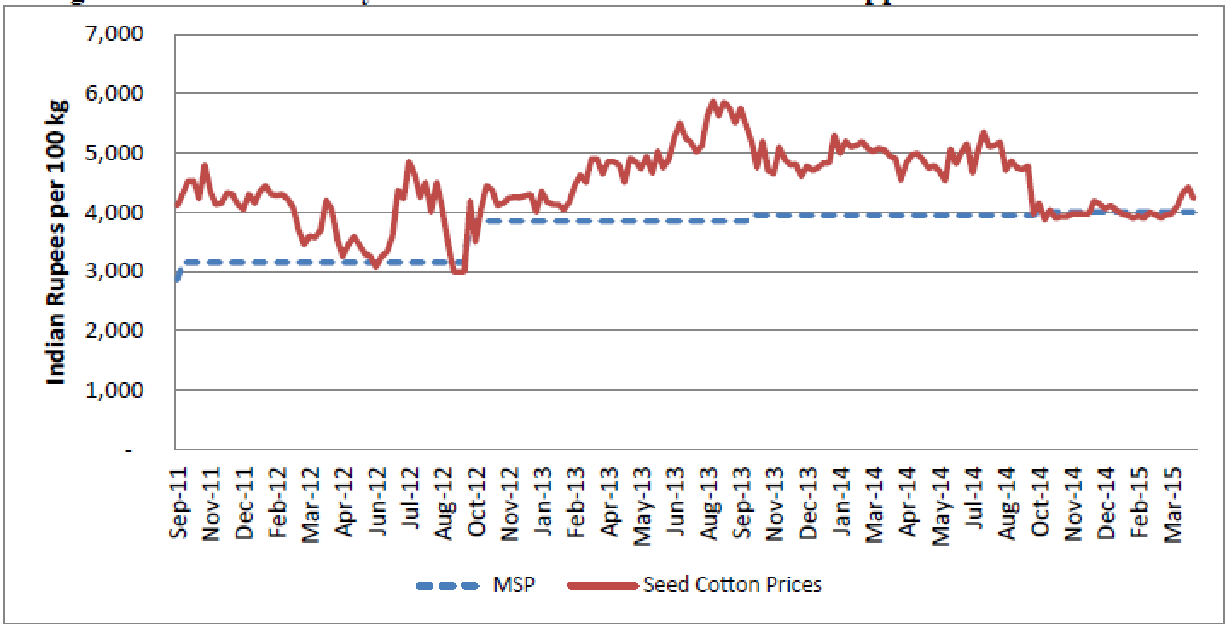
*Loss estimate from the Cotton Advisory Board
Source: Textile Commissioner

Figure 1a. India: Weekly Shankar 6 Ex-Gin Price vs. Cotlook A-Index



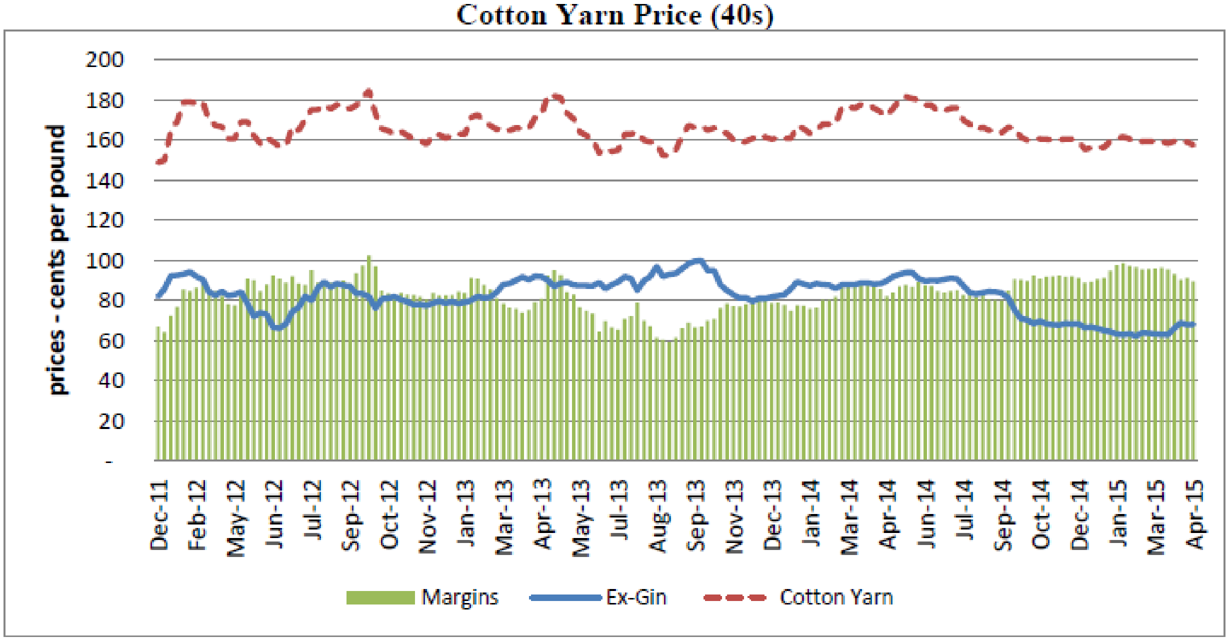
Source: Cotton Association of India
Cotlook A-Index

Figure 1b. India: Weekly Seed Cotton Prices vs. Minimum Support Price – Shankar-6



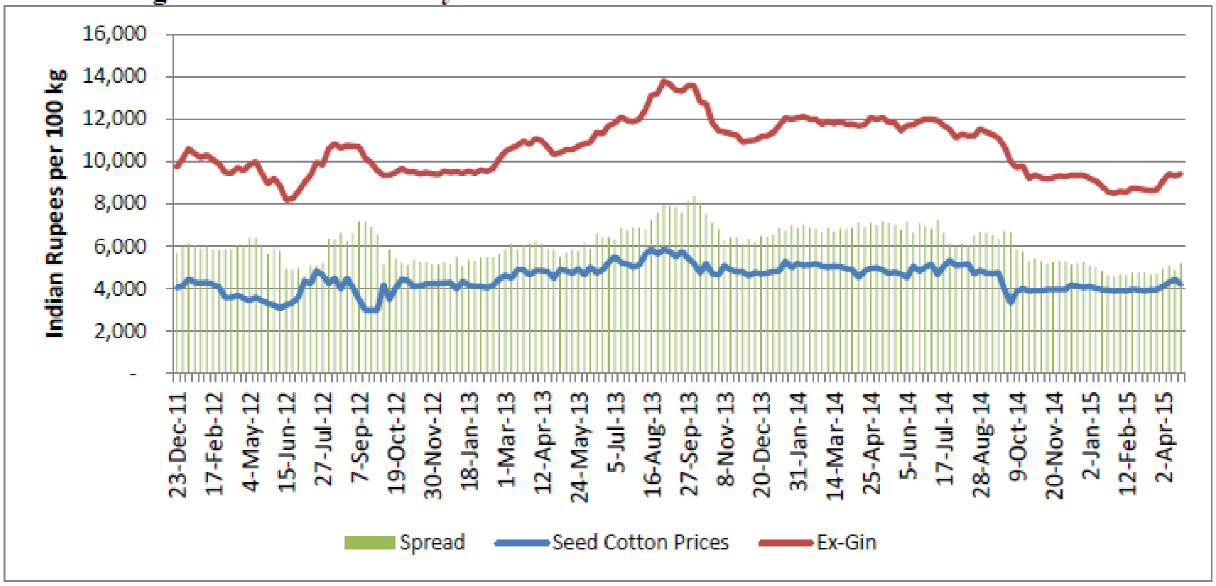
Source: Agriculture Marketing Information Network, Ministry of Agriculture

Figure 1c. India: Spinning Margin -- Weekly Shankar 6 Ex-Gin Price vs. Cotton Yarn Price (40s)



Source: Cotton Association of India
Tecoya Trend

Figure 1d. India: Weekly Seed Cotton Prices vs. Shankar 6 Ex-Gin Prices



Source: Cotton Association of India

Agriculture Marketing Information Network, Ministry of Agriculture